

H.14

November 24, 1954

CAPITAL MARKET DEVELOPMENTS

Volume of new capital issues small last week - A number of large State and local government security issues with total proceeds of 55 million dollars were offered during the week ending November 19; two large issues totaling 33 million dollars are scheduled for offering this week. No large corporate offerings for new capital were made nor are any expected this week.

Refunding plans - On November 17, Pacific Telephone and Telegraph Company sold 50 million dollars of debentures at 3 1/8 per cent maturing in 1989 for the purpose of refunding a 4 per cent debenture issue offered in September 1953. The next day, Kansas City Southern Railway offered a 50 million dollar first mortgage bond issue at 3 1/4 per cent maturing in 1984. The proceeds will be used to redeem two issues of 4 and 3 5/8 per cent which were sold in 1945 and 1948 respectively.

Yields are steady - No change occurred in the yields on outstanding corporate Aaa and Baa, U. S. Government long-term, and high-grade municipal bonds last week. Daily figures indicate a slight rise in the Treasuries through November 23.

Stock prices stable - The SEC index of 265 common stocks remained at 205.1 during the week ending November 19. Daily indexes showed a considerable rise by November 23. The weekly average of trading volume reached a new high for the year of 3.4 million shares last week.

Institutional Savings and Investments
in the Third Quarter, 1953 and 1954

Mortgage acquisitions continued to absorb the largest volume of funds of the major types of savings institutions in the third quarter of 1954. Net investments in mortgages were 2,400 million dollars, as shown in the accompanying table, 29 per cent more than the net amount bought during the same period last year.

The largest relative gain among the various uses of funds appeared in net purchases of State and local government securities, which although small in relation to total uses of funds increased to 172 million dollars from 60 million in the third quarter, 1953. Investments in business securities were larger this year than last by 6 per cent.

The inflow of savings into the savings institutions was 2,520 million dollars in the third quarter, considerably larger than the flow in that quarter last year. Nevertheless, the increase was at a somewhat slower pace than the increase in uses and was therefore inadequate to meet the total demand for funds. To supply the excess need, more U. S. Government securities were liquidated this year—391 million dollars compared with 159 million in the earlier period.

Life insurance companies

During the third quarter of 1954, life insurance companies increased their investments in mortgages by 651 million dollars, in business securities by 617 million, and in State and local government securities by 136 million. This represents a shift in the relative importance of business securities and mortgages, and an accelerated growth in holdings of State and local government securities. The flow of new savings was a proportionately smaller part of total sources of funds of these companies than in last year's third period. A net amount of 257 million dollars of U. S. Governments was sold on the market compared with a 100 million dollar reduction of Government securities in the third quarter of 1953.

Savings and loan associations

As usual, investment in mortgages was almost the sole use of funds of savings and loan association; the volume was 1,206 million dollars in the third quarter this year and 1,017 million in the earlier period last year. The associations did, however, purchase a small amount of Government securities in the third period as they have each quarter this year. Savings capital increased 732 million dollars this quarter, and funds not supplied by savings capital were supplied by cash and other sources. Assets other than cash and mortgages were reduced 42 million dollars.

Mutual savings banks

Following the pattern of the other two types of savings institutions, mutual savings banks increased the importance of mortgage investment in their total uses of funds. Mortgages accounted for 543 million dollars. A year earlier the increase was 372 million dollars. Business securities increased at a slower rate, and State and local government securities at a slightly faster rate, than in the July-September period last year. As in the case of the life insurance companies, the flow of new savings did not increase at as fast a rate as total uses of funds, so a larger amount of U. S. Government securities was sold for additional funds. New savings were 407 million dollars, 50 million greater than the flow in the third quarter last year. The net sale of U. S. Governments was 145 million dollars last quarter and only 44 million in the comparable period in 1953.

Uses and Sources of Funds by Major Types of Savings Institutions
Third Quarter, 1953-1954

(In millions of dollars)

3rd quarter	Uses - Net purchases of:					Sources of funds		
	Total uses ^{1/}	Domestic business securities	Mort- gages	State and local govt. securities	Other assets	Total sources ^{2/}	New sav- ings	Reduction of U. S. Government securities
Total - Major Types of Savings Institutions								
1953	2,752	652	1,866	60	174	2,752	2,161	159
1954	3,485	689	2,400	172	224	3,485	2,520	391
Life Insurance Companies								
1953	1,226	558	477	42	149	1,226	1,209	100
1954	1,646	617	651	136	242	1,646	1,381	257
Savings and Loan Associations								
1953	1,011	--	1,017	<u>3/</u>	-6	1,011	595	15
1954	1,164	--	1,206	<u>3/</u>	-42	1,164	732	-11
Mutual Savings Banks								
1953	515	94	372	18	31	515	357	44
1954	675	72	543	36	24	675	407	145

^{1/} Uses of funds consist of net changes in asset holdings other than cash and U. S. Government securities.

^{2/} Includes other sources not shown separately.

^{3/} Change of less than 50 million dollars.

Note.--Details may not add to totals because of rounding.

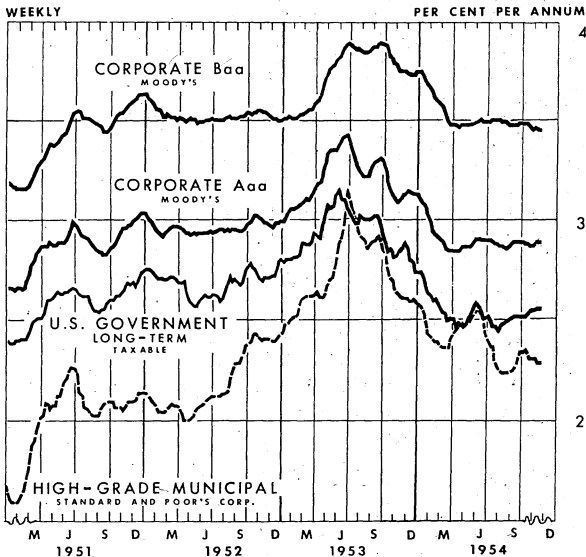
Sources of data: Institute of Life Insurance, Federal Savings and Loan Insurance Corporation, and National Association of Mutual Savings Banks.

Further details on capital market developments available from exhibits - More detailed information concerning recent capital market developments will be found in the following exhibits which are attached hereto:

- A - Bond Yields
- B - Stock Market
- C - Corporate and State and Local Government Security Offerings and Placements
- D - Large Public Security Issues for New Capital (other than U. S. Treasury)
- E - Forthcoming Large Public Security Offerings for New Capital (other than U. S. Treasury)

Business Finance and Capital Markets Section,
Division of Research and Statistics,
Board of Governors of the Federal Reserve System.

BOND YIELDS



Date	Corporate ^{1/}		U. S. Govt. long-term ^{2/}	Spread between Corporate Aaa and U. S. Govt.	High- grade Mun. ^{3/}
	Aaa	Baa			
	(Per cent per annum)				
1951 - High	3.03	3.63	2.74	.36	2.26
Low	2.65	3.16	2.38	.25	1.59
1952 - High	3.03	3.63	2.79	.37	2.43
Low	2.91	3.48	2.56	.19	2.00
1953 - High	3.42	3.89	3.15	.38	3.14
Low	2.99	3.50	2.74	.19	2.43
1954 - High	3.09	3.74	2.74	.43	2.56
Low	2.85	3.45	2.44	.33	2.23
October 22	2.87	3.46	2.53	.34	2.30
October 29	2.87	3.45	2.54	.33	2.30
November 5	2.88	3.46	2.54	.34	2.30
November 12	2.89	3.45	2.55	.34	2.28
November 19	2.89	3.45	2.55	.34	2.28

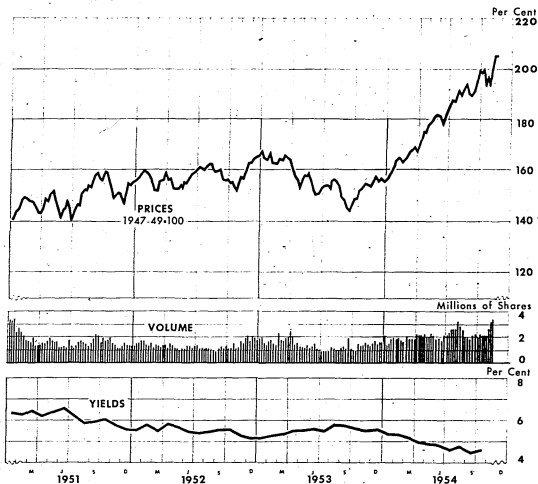
^{1/} Moody's Investors Service; weekly average of daily figures.

^{2/} Federal Reserve; weekly average of daily figures.

^{3/} Standard and Poor's Corporation; Wednesday figure.

Note.—Highs and lows are for individual series and may be on different dates for different series.

STOCK MARKET



Date	Stock price index 1/ (1947-49=100)	Trading volume 2/ (millions of shares)	Common stock yields 3/ (per cent per annum)	Customers' debit balances 4/ (millions of dollars)	Bank loans to "others" for purchases of securities 5/ (millions of dollars)
1951 - High	158.6	3.4	6.55	1,297	340
Low	140.3	1.1	5.55	1,219	260
1952 - High	165.3	2.0	5.77	1,328	295
Low	151.7	0.9	5.13	1,241	250
1953 - High	167.1	2.5	5.75	1,665	327
Low	144.0	0.9	5.15	1,314	252
1954 - High	205.1	3.4	5.33	2,095	465
Low	156.5	1.4	4.46	1,653	328
September	191.0	2.0	4.46	2,048	421
October	196.6	2.1	4.57	2,095	439
November 5	199.9	2.6	n.a.	n.a.	450
November 12	205.1	3.2	n.a.	n.a.	457
November 19	205.1	3.4	n.a.	n.a.	465

1/ S&P index of 265 common stocks, weekly closing price, 1939=100; converted to 1947-49=100 by Federal Reserve.

2/ Weekly averages of daily trading volume on New York Stock Exchange.

3/ Moody's 200 common stocks; end of month figures.

4/ End of month figures for member firms of New York Stock Exchange; excludes balances secured by U. S. Government securities.

5/ Wednesday figures for weekly reporting member banks in New York and Chicago; excludes loans for purchase of U. S. Government securities. On March 4, 1953, the last date on which figures for all reporting banks were available, New York and Chicago accounted for 45 per cent of such loans. In the past New York and Chicago loans have fluctuated more than total loans.

n.a.—Not available.

Note.—Highs and lows are for individual series and may be on different dates for different series.

Exhibit C

Corporate and State and Local Government Security Offerings and Placements

(In millions of dollars)

	New capital					
	Corporate			State and local		
	1954	1953	1952	1954	1953	1952
January	544	623	615	396	388	357
February	439	623	413	411	359	300
March	660	666	951	565	426	146
April	486	779	870	734	328	454
May	652	675	990	748	648	394
June	859	1,123	769	853	434	625
July	898	483	1,237 ^{1/}	279	519	243
August	346	325	291	261	259	199
September	776	753	390	e/625	475	473
October	e/850	577	999	e/610	452	302
November	e/300	429 ^{2/}	340	e/400	408	183
December		1,438 ^{2/}	851		774	395
1st quarter	1,643	1,912	1,979	1,372	1,173	802
2nd quarter	1,998	2,578	2,629	2,335	1,410	1,474
3rd quarter	2,021	1,561 ^{2/}	1,918 ^{1/}	1,165	1,253	916
4th quarter		2,444 ^{2/}	2,191		1,635	880
Year		8,495 ^{2/}	8,716 ^{1/}		5,471	4,072
	Excluding finance companies ^{3/}					
1st quarter	1,562	1,669	1,961			
2nd quarter	1,931	1,991	2,521			
3rd quarter	1,941	1,223	1,877			
4th quarter		2,344	2,094			
Year		7,227	8,452			

^{1/} Includes 490 million dollar American Telephone and Telegraph debenture issue.

^{2/} Includes 603 million dollar AT&T debenture issue.

^{3/} Total new capital issues excluding offerings of sales and personal finance companies.

e/ Estimated.

Note.—Details may not add to totals due to rounding.

Exhibit D

Large Public Security Issues for New Capital
(other than U. S. Treasury) 1/

Proceeds of Large Issues Offered

(Millions of dollars)

Month	Corporate	State and local government	Other 2/
1953 - October	216	323	51
November	96	254	19
December	963	571	50
1954 - January	289	164	119
February	103	213	--
March	160	378	50
April	169	557	--
May	324	557	--
June	350	603	--
July	336	92	--
August	75	86	--
September	335	455	--
October	413	388	--

Large Individual Issues Offered November 1 through 19

Issuer	Type 3/	Amount (millions of dollars)	Maturity	Coupon rate or net interest cost	Offering yield	Rating
<u>CORPORATE</u>						
None						
<u>STATE AND LOCAL GOVERNMENT</u>						
Territory of Hawaii	G.O.	6.5	1957-74	2.19	1.10-2.40	A
Abington Township, Pa. School District	Rev.	6.0	1956-94	2.60	1.00-2.75	Baa
New York City	G.O.	21.6	1955-57	1.13	0.80-1.10	A
Md. State Roads Comm.	Rev.	146.0	1960-94	2.99	1.70-2.95	--
New Jersey Highway Auth.	Rev.	20.0	1988	3.23	3.15	--
Dane County, Wisconsin	G.O.	5.5	1957-66	1.37	0.85-1.50	Aaa
Tulsa, Oklahoma	G.O.	7.9	1957-80	Var.	1.05-2.90	A
State of North Carolina	G.O.	5.0	1956-74	1.68	0.70-1.90	Aa
Kansas City, Missouri	G.O.	5.9	1955-74	1.73	0.70-2.00	Aa
Georgia State Bridge Building Authority	Rev.	10.6	1956-70	2.25	1.00-2.50	A

Large Individual Issues Offered November 1 through 19 (Cont'd)

Issuer	Type <u>3</u> /	Amount (millions of dollars)	Maturity	Coupon rate or net inter- est cost	Offering yield	Rating
<u>OTHER</u> None						

1/ Includes corporate and other security offerings of 15 million dollars and over; State and local government security offerings of 5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.

3/ In the case of State and local government securities, G.O. denotes general obligation; Rev., revenue bonds; G.R., general obligations additionally secured by facilities revenues; and, L.L., limited liability obligations secured by pledge of designated revenues.

Exhibit E

Forthcoming Large Public Security Offerings for New Capital
(other than U. S. Treasury) 1/

Expected Proceeds from Forthcoming Large Issues

Date of computation	During month following date shown			Subsequent to date shown		
	Corporate	State and local govt.	Other 2/	Corporate	State and local govt.	Other 2/
1953 - Oct. 30	73	283	n.a.	1,129	978	n.a.
Nov. 30	948	537	73	1,616	1,752	88
Dec. 31	232	179	123	669	1,238	138
1954 - Jan. 29	118	161	—	479	1,660	—
Feb. 26	108	498	50	690	1,916	50
Mar. 31	204	555	—	555	2,789	—
Apr. 30	323	525	27	647	2,322	27
May 28	332	596	—	526	1,971	—
June 30	336	86	—	537	1,524	—
July 30	100	54	—	303	1,553	—
Aug. 31	334	300	—	608	1,876	—
Sept. 30	343	383	—	414	2,157	—
Oct. 29	15	436	—	135	1,957	30

Forthcoming Large Offerings, as of November 19

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>CORPORATE</u>			
Kentucky Utilities	1st mtg. bonds	15.0	November
Long Island Lighting	1st mtg. bonds	15.0	December 7
Virginia Electric and Power Co.	Common stock	17.4	December 8
*Tennessee Gas Transmission	Bonds	32.0	December 8
New England Telephone and Telegraph	Deb.	30.0	December 14
*Commonwealth Edison	Conv. deb.	50.0	January 11
*New England Power	1st mtg. bonds	25.0	January 18
Public Service of Oklahoma	1st mtg. bonds	20.0	January
*Public Service Electric & Gas Co.	Pfd. stock	25.0	January
Kansas City Power and Light	1st mtg. bonds	16.0	February 15
New England Telephone and Telegraph	Common stock	15.8	March
<u>STATE AND LOCAL GOVERNMENT</u>			
Dallas, Texas	G.O.	16.9	November 22
State of Maryland	G.O.	16.0	November 24
New York Thruway	Rev.	50.0	December 7
Oklahoma Turnpike Authority	n.a.	214.0	December 8

Forthcoming Large Offerings as of November 19 (Cont'd)

Issuer	Type	Amount (millions of dollars)	Approximate date of offering
<u>STATE AND LOCAL GOVERNMENT (Cont'd)</u>			
Jefferson and St. Tammany Parishes, La.	Rev.	46.0	December 8
Tampa, Florida	Rev.	10.0	December 14
*Puerto Rico Water Resources Authority	Rev.	12.5	December 14
New York State Power Authority	Rev.	315.0	December
*Illinois Turnpike Authority	Rev.	390.0	December
*Texas Turnpike Company	Rev.	200.0	1954-55
*Sam Houston Company	Rev.	150.0	1954-55
Los Angeles Dept. of Water & Power	Rev.	18.0	January 26
Inter-American Center Auth., Fla.	Rev.	60.0	Spring
Michigan Turnpike Authority	Rev.	186.0	Spring
State of Louisiana	n.a.	80.0	Spring
Dade County Port Authority, Fla.	Rev.	21.0	1955
Warren, Ohio	n.a.	5.0	1955
Springfield, Illinois	n.a.	9.0	1955
Davenport, Iowa	n.a.	5.0	1955
Allegheny County, Pennsylvania			
Sanitary Authority	Rev.	85.0	1955
California Toll Bridge Authority	Rev.	235.0	1955
Texas Turnpike Authority	n.a.	59.0	1955
Metropolitan Water Dist. of So. Cal.	G.O.	8-10.0	1955
Los Angeles School Dists., Cal.	n.a.	20.0	1955
Florida State Turnpike Authority	Rev.	89.0	1955
Jersey City Sewerage Auth., N. J.	Rev.	16.0	1955
North Carolina Turnpike Authority	n.a.	200.0	1955
<u>OTHER</u>			
Kingdom of Belgium	Bonds	30.0	December

1/ Includes corporate and other issues of 15 million dollars and over; State and local government issues of 5 million and over.

2/ Includes foreign government and International Bank for Reconstruction and Development issues.

n.a.—Not available.

*—Included in table for first time.